

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018 SESSION

BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1
(All Sections / Groups)

13 OCTOBER 2017
9:00 AM – 12:00 NOON
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 8 pages, excluding cover page with 5 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

- i) The conceptual framework for financial reporting was issued by the IASB in 2010, and adopted by the MASB in November 2012. The conceptual framework is a set of principles which underpin the foundations of financial accounting.

Required:

Discuss, what are the purposes of the conceptual framework?

(3 marks)

- ii) 1) On 1 July 2016, Syarikat Wardah Furniture Sdn Bhd ordered a delivery truck to deliver goods to its customers. A sum of RM100,000 was paid by Syarikat Wardah for the truck on 10 July 2016 and took delivery of the truck on 16 July 2016.
- a) When should Syarikat Wardah Furniture Sdn Bhd recognize the van as an asset? (2.5 marks)
- b) Show the journal entries for the above transaction. (1 mark)
- 2) On 5 August 2016, Syarikat Maju Sdn Bhd sold goods to a customer with an invoice value of RM 16,800. Sales price for the goods is determined based on a 40 per cent markup on cost. The customer paid 30% of the invoice value in cash, and was given 30 days to pay the balance.
- a) When should Syarikat Maju Sdn Bhd recognize its revenue? (2 marks)
- b) Show the journal entries for the above transaction. (1.5 marks)
- iii) The information for Busu, Shamil & Syahir Agency for the year 20x7 is as follows:
- 1- Drawings: Busu RM39,000; Shamil RM27,100 and Syahir RM16,800.
 - 2- Capital accounts: beginning balance Busu RM100,000; Shamil RM50,000 and Syahir RM25,000.
 - 3- Current accounts: beginning balance Busu RM18,600; Shamil RM9,460 and Syahir RM8,200.
 - 4- Profits to be shared: Busu 70%; Shamil 20% and Syahir 10%.
 - 5- Salaries to be credited: Shamil RM20,000 and Syahir RM25,000.

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- 6- Interest to be charged on drawings: Busu RM400; Shamil RM300 and Syahir RM200.
- 7- Interest to be charged on capitals: Busu RM3,000; Shamil RM2,000 and Syahir RM1,500.
- 8- Net profits RM111,100.

Required:

- a- Prepare a profit and loss appropriation account for the year ending 31 December 20x7 for Busu, Shamil & Syahir Agency. (4 marks)
- b- Prepare the statement of financial position at 31 December 20x7 for Busu, Shamil & Syahir Agency. (6 marks)

(Total: 20 marks)**QUESTION 2**

The following is a list of balances for Syarikat Duku Bhd, a public company, as at 30 November x16.

	Debit RM'000	Credit RM'000
Revenues		59,200
Cost of goods sold	17,500	
Inventory	5,000	
Warehouse wages	1,700	
Salespersons' salaries and commission	3,700	
Administrative salaries	6,140	
General administrative expenses	1,160	
General distribution expenses	980	
Directors' remuneration	1,740	
Interest paid	200	
Dividends paid (interim)	4,240	
Property, plant and equipment (at cost)	36,000	
Accumulated depreciation at 1 December x15		7,800
Trade receivables	13,800	
Trade payables		7,600
Provision for doubtful debts at 1 December x15		400
Balance at bank	4,160	
Non-current loan stock		2,000
Called-up share capital – 8 million ordinary shares		10,600
		Continued...

Retained profits at 1 December x15		7,220
Tax paid for the current year	1,900	100
Tax over-provided in prior year		3,300
Suspense account		
	98,220	98,220

Additional information:

i- The tax provision (payable) for the year is RM2,100,000.

ii- Accruals and prepayments to be accounted for are:

	Prepayments RM'000	Accruals RM'000
General administrative expenses	70	140
General distribution expenses	<u>40</u>	<u>90</u>
	<u>110</u>	<u>230</u>

iii- Depreciation should be charged at 10 percent per annum on cost of the assets remaining at the end of the year, and are allocated 70 percent to distribution and 30 percent to administration expenses respectively.

iv- Two transactions had been entered in the company's cash record and transferred to the suspense account shown in the trial balance. They are:

- The receipt of RM3,000,000 from the issue of 1,000,000 ordinary shares at RM3 per share.
- The sale of some surplus plant. The plant had cost RM2,000,000 and had a carrying value of RM200,000. The sale proceeds of RM300,000 had been credited to the suspense account but no other entries have been made.

v- A review of the trade receivables total RM13,800,000 showed that it is necessary to write off debts totaling RM400,000 and that the allowance for doubtful debts should be adjusted to 2 percent of the remaining trade receivables.

vi- At 30 November x16, the cost of unsold inventory is RM5,000,000 but its net realizable value is RM4,800,000.

Required:

In compliance with the requirements of MFRS 101 *Presentation of Financial Statements*, prepare for Syarikat Duku Bhd:

a- The statement of profit or loss and comprehensive income for the year ended 30 November x16 (expenses are to be classified according to function).

(8.5 marks)

Continued...

- b- The statement of changes in equity for the year ended 30 November x16. (5 marks)
- c- The statement of financial position as at 30 November x16. (6.5 marks)

(Total: 20 marks)

QUESTION 3

- i) Setawar Bhd is a guarantor for a loan of RM1,000,000 taken by Cendawan Bhd in 20x6. The financial position of Cendawan at that time was sound. However, in the subsequent year, Cendawan encountered business difficulties and its financial position deteriorated. This resulted in Cendawan filing for protection from its creditors.

Required:

With reference to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, you are required to explain the accounting treatments in the financial statements of Setawar Bhd:

- a- at 31 December 20x6; and (5 marks)
- b- at 31 December 20x7. (3 marks)
- ii) VWX Bhd leased two machineries. Its financial year ends on 30 June each year. The lease agreements are as follows:

Machinery A

Leased the machinery from Bakawali Bhd on 1 July 20x4 paying ten annual installments of RM200,000 each. The machinery was acquired by Bakawali Bhd on that date for RM1.6 million. The machinery had a useful life of 16 years with no residual value. Bakawali Bhd would undertake all maintenance and repairs.

Machinery B

Leased a specialised machinery from Cendawan Bhd for ten annual installments of RM60 million each payable at the end of each financial year. The machinery was completely installed and first operated on 1 July 20x4. The fair value of the machinery as at that date was RM468 million. The machinery had an estimated useful life of 10 years and at the end of which it would be of no value. It is the company's policy to allocate the finance interest using the sum-of-digits method.

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Required:

- a- Explain the classification of the leases for machinery A and machinery B in accordance with MFRS 117 Leases. (5 marks)
- b- Prepare the Statement of Financial Position (extract) as at 30 June 20x5 and 30 June 20x6 in the books of VWX Bhd. (7 marks)

(Total: 20 marks)**QUESTION 4**

- i) Bachang Bhd has in issue 3,000,000 ordinary shares. On 30 January 2016, Bachang Bhd issues a prospectus to the public, to subscribe for a total of 1,000,000 shares at RM2.45 per unit payable in stages as follows:

15 February	Application	RM 1.25
1 March	Allotment	RM 1.00
30 April	First call	RM 0.10
30 May	Second call	RM 0.10

On 15 February 2016, all shares are fully subscribed with the application money received on that date. The allotment money is paid on the date of allotment, whereas calls are paid on their respective dates above. The shares are then allotted to successful applicants on 1 March 2016. The cost of share issue is RM 90,000.

A shareholder who hold 60,000 shares failed to pay the second call money. On 1 June 2016 the shares were forfeited.

Required:

- a- Journalised the above transactions. (12 marks)
- b- Prepare the statement of financial position extract right after the forfeiture of the 60,000 shares as at 1 June 2016. (2 marks)

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ii) Amir, the Accountant of Syarikat Kurma Bhd is considering how to classify the following financial assets and financial liabilities:

- 1- Purchased a debt instrument that is quoted in an active market and is not held for trading but the entity intends to hold it to maturity. However, if the market interest rates fall, it intends to sell.
- 2- Investment in equity shares that has an active market and which the entity intends to take short-term profits. It trades on these types of instruments.
- 3- Accounts receivable that is not held for trading.

Required:

Indicate into which category or categories each instrument can be classified. (3 marks)

iii) The carrying amount of inventory of Papaya Bhd at the reporting period was RM86,000 and the net realizable value was RM104,000. The inventory was sold at year-end but before the financial statements were authorized for issue at RM84,000.

Required:

Discuss the accounting treatment for the above case in compliance with the MFRS 110 *Events After the Reporting Period*. (3 marks)

(Total: 20 marks)

QUESTION 5

i) On 1 January 20x2, Yoyo Bhd acquired a plant from Koko Bhd at a cost of RM2.4 million. In addition, Yoyo Bhd also incurred import duties and freight charges amounting to RM300,000 as well as an installation cost of the plant of RM120,000. The plant is depreciated on a straight line basis over 20 years. The following subsequent expenditures were incurred by Yoyo Bhd regarding the plant:

1. Service cost of RM54,800 per annum to maintain the plant.
2. RM80,000 on 1 January 20x6 to replace one of the components that was damaged. The production capacity of the plant remains unchanged. However, the operating costs has significantly reduced after the replacement. The carrying amount of the old component as at that date was RM56,000.

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3. RM220,000 on 31 December 20x6 for the purchase of a new component to replace another old component. The production capacity of the plant is expected to increase with the new component in place. The carrying amount of the old component replaced was RM136,000.

Required:

- a- Discuss the accounting treatment on the above transaction in compliance with the MFRS 116 *Property, Plant and Equipment*. (5 marks)
- b- Calculate the depreciation of the plant to be charged for the year ended 31 December 20x6 (5 marks)

- ii) ZUMBA Bhd is a listed company. Ali, the accountant of the company drafted the financial statements for the year ended 31 December 20x1.

Extracts from the draft Statements of Comprehensive Income for the year ended 31 December 20x1, including comparative figures, are shown below:

	20x1 RM million	20x0 RM million
Profit before tax	150.5	131.4
Income tax expense	42.5	40.0
Profit for the year	108.0	91.4

On 1 January 20x1, ZUMBA Bhd had 375 million ordinary shares of 50 sen each in issue. On 1 April 20x1, ZUMBA made a rights issue of one (1) for every three (3) shares held at 60 sen each. The market price of each share prior to the issue was RM1.

On 1 January 20x0, ZAG issued RM37.5 million convertible bonds. Each unit of RM100 bond in issue is convertible into 200 ordinary shares of 50 sen each on 31 December 20x3. The interest expense relating to the liability element of the bonds for the year ended 31 December 20x1 was RM3.2 million and for 2010 was RM3 million. The tax effect related to the interest expense was RM1 million for 20x1 and RM0.9 million for 20x0.

Required:

- a- Calculate the basic and diluted earnings per share for the year ended 31 December 20x1 and the restated earnings per share for 20x0. (8 marks)

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- b- Explain the importance of earnings per share.

(2 marks)

(Total: 20 marks)

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